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MONTHLY REVIEW

Of Industrial and Financial Conditions in the New England District

By Frederic H. Curtiss, Chairman and Federal Reserve Agent

FEDERAL RESERVE BANK OF BOSTON

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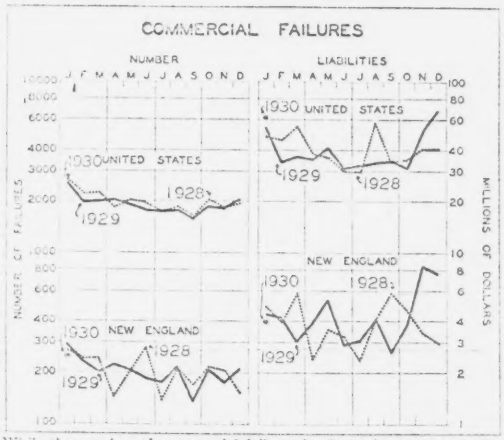
THE SITUATION

Industrial production in the United States, as well as in New England, showed an increase in January from the low level of December. Larger output of automobiles, steel, cotton textiles, and shoes was the principal influence causing the increased activity for the entire country. The automobile and steel industries contribute practically no direct influence upon New England industrial production, and the increase in New England in January was somewhat less than that of the entire country. Boot and shoe production in New England during January, although larger than in December, was considerably less than that of the corresponding month a year ago. While total output of shoes in this district in January was slightly larger than in December, employment and earnings reported by the Department of Labor and Industries of Massachusetts indicated a substantial improvement in January. The aggregate payrolls for 104 concerns showed an increase of more than 28 per cent, and the number employed in the boot and shoe industry (Massachusetts reporting concerns) increased nearly 18 per cent in January from December.



While the number of commercial failures in the entire country during January was approximately the same as in January of the previous two years, the total liabilities were somewhat larger. In New England, however, the number and liabilities during January were below the corresponding month of 1928 and 1929.

Source of data—R. G. Dun & Co.

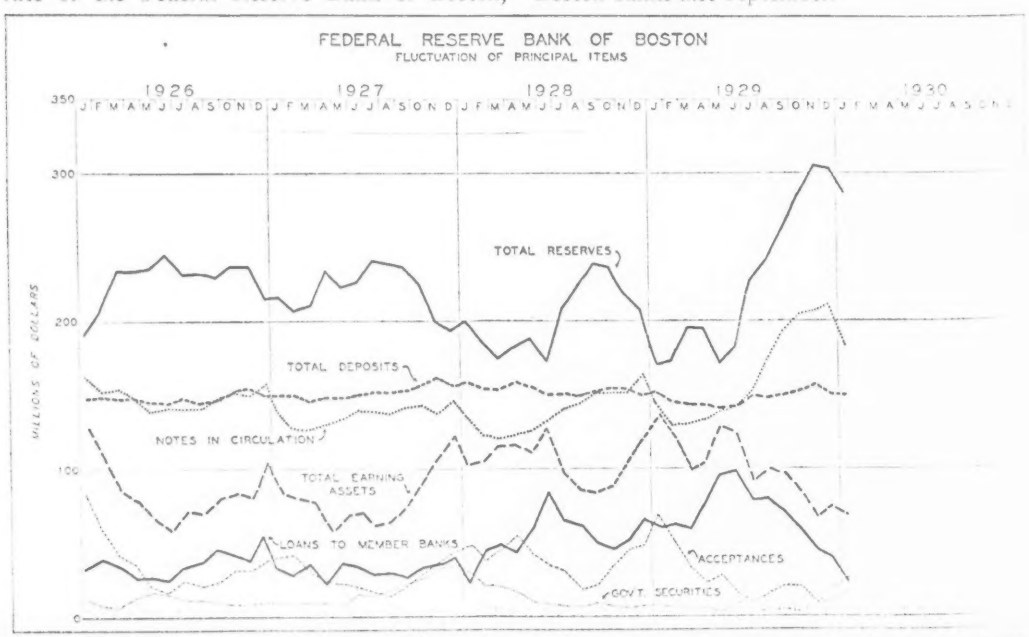
New England cotton consumption in January was less than in January a year ago, but was substantially larger than in December. Cotton receipts at five New England cities declined in January, and stocks of raw cotton in New England mills increased. Improvement was noted in the textile industry generally throughout New England, with the exception of silk machinery activity, which declined slightly. Total carloadings in New England since the first of the year were considerably behind those during the first six weeks a year ago, and a similar condition was reported for the entire country. The volume of residential building contracts awarded (square feet) in this district during January was the smallest since February, 1923, but the volume of commercial and industrial building increased over December. Sales of New England reporting department stores in January were nearly seven per cent larger than in the corresponding month a year ago, although in two states, New Hampshire and Vermont, a smaller volume was reported. The principal reason for the increase in total sales was the unusually large gain reported both by Boston and outside stores in radio sales. Collections of regular charge accounts in New England reporting stores were the slowest for any January in recent years. Although commercial failures in January in the United States increased 8.8 per cent in number and 13.6 per cent in total liabilities over the corresponding month a year ago, in New England there was a decline of 14.0 per cent in number and 8.9 per cent in total liabilities. The rediscount rate of the Federal Reserve Bank of Boston was reduced on February 13 from 4½ per cent to four per cent.

MONEY AND BANKING

Money rates in the Boston money market have continued to fall, even though the customary seasonal trend is usually upward in February and March. The rate on brokers' prime commercial paper was quoted at 4½ per cent early in February, while five per cent had been the ruling rate in the middle of January. In the New York market commercial paper rates were 4½–4¾ per cent during the two weeks ending February 21, while during the first two weeks of this year five per cent was the prevailing rate. The asking rate on bankers' prime 90-day acceptances, due to a lessening supply and an increasing demand, was reduced twice during February: to 3⅞ per cent on February 3, and to 3¾ per cent on February 7. Time loans secured by prime Stock Exchange collateral in Boston commanded a five per cent rate, a full one per cent reduction as compared with January. Time money secured by mixed collateral in New York during the week ending January 18 was 4½–4¾ per cent, and this same range prevailed during the two weeks ending February 21. In Boston brokers' quick call money was plentiful at 4½ per cent at the middle of February, while in New York call renewal rates averaged 4.22, 4.19, and 4.40 per cent during the three weeks ending February 21, respectively. In this district the outstanding event of the month (February) was the reduction of the rediscount rate of the Federal Reserve Bank of Boston, effective February 13, to four per cent from 4½ per cent, the latter rate having been maintained since November 21, 1929.

The Government offered for competitive bid on a discount basis a new issue of Treasury bills, dated February 18, 1930, to run three months. Although several bids were received in this district, only three bids, amounting in all to $60,000, were accepted by the Treasury Department. The yield on the June maturity of United States Treasury Certificates of Indebtedness, after reaching a high of 3.66 per cent on February 3, fell to 3.25 per cent on February 20.

On February 19 total loans and discounts of the Boston member banks were $61,000,000 (6.6 per cent) below the peak reached November 27, which was almost duplicated at the end of December, while total deposits were $84,000,000, or 7.9 per cent, below the peak reached in October. The volume of commercial loans continued the downward trend which began late in November, and which had amounted to $48,000,000 by February 19. Liquidation of collateral loans, on the other hand, declined $46,000,000 between October 30 and December 18, following which they expanded until, on January 15, they again were close to the October peak; a secondary liquidation brought them down $38,000,000 by February 19 to a volume comparable with the level in Boston banks last September.



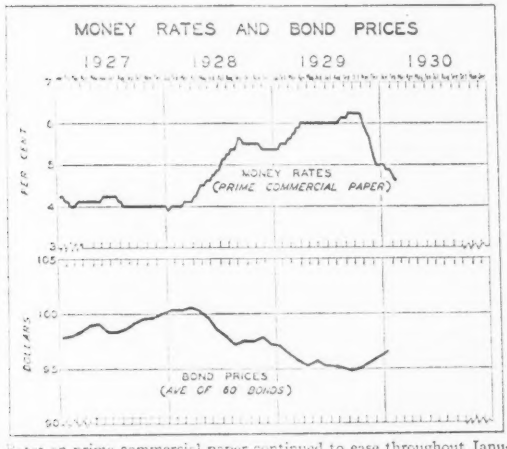
The total earning assets of the Federal Reserve Bank of Boston at the end of January were approximately at the November level. The [illegible] in acceptances and Government securities were more than offset by the further reduction in loans to member banks.

Net demand deposits in Boston banks declined sharply between October 30 and February 19 ($38,000,000), the contraction since January 8 being augmented by seasonal tendencies. Little change has taken place in the high level of time deposits attained on January 15.

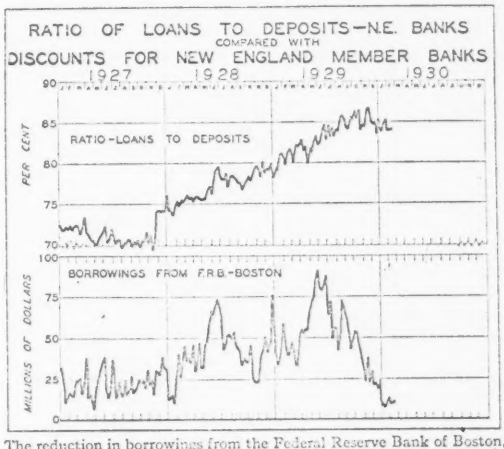
The foregoing traces the changes which have taken place in the condition of the Boston member banks during the past four months. Significant changes also occurred during the five weeks between January 15 and February 19. During that period total deposits declined $61,000,000, while total loans and discounts dropped $44,000,000. Meanwhile, Boston banks have been buying investment securities, their holdings of stocks and bonds having increased $5,000,000. Nevertheless, Boston banks have not found it necessary to make recourse to the Federal reserve bank to any extent, their borrowings on February 19 being only slightly above the low level which has prevailed since December 31.

During the same period the position of the outside reporting member banks has been improved. Total deposits fell 1.5 per cent, while loans and discounts were reduced 1.9 per cent. Holdings of bonds and stocks have risen slightly. As in the case of the Boston banks, these outside reporting member banks are borrowing relatively little from the Federal reserve bank. The improvement in the position of the weekly reporting member banks outside of Boston has continued since late in November. Commercial loans, which reached their peak on November 13, declined steadily until late in January; during February they expanded rapidly, until on February 19 about one-third of the previous reduction had been offset. Collateral loans, which had been quick to decline following the break in the stock market early in November, reached their low point about Thanksgiving, following which a secondary expansion set in which proceeded until January 15, when the volume of loans secured by bonds and stocks by these reporting outside New England banks reached $211,000,000, the highest point ever recorded. During the next five weeks a substantial reduction took place. Net demand deposits followed substantially the same course as collateral loans, while time deposits have increased slowly but steadily since the middle of November. Total deposits, including U. S. Government deposits,—of outside reporting member banks were $14,000,000 less on February 19, 1930, than on the corresponding date a year ago, time deposits declining $10,000,000, and net demand deposits declining $4,000,000.

The condition of the Federal Reserve Bank of Boston reflects the improvement which has taken place in the condition of the New England member banks in recent weeks. Loans to all member banks on February 19 amounted to only $23,000,000. This low figure has been maintained substantially unchanged for over a month. Total earning assets since December 31, on the other hand, declined substantially, largely because of the reduced volume of bankers' acceptances held by the Federal Reserve Bank of Boston. This reduction in the total volume of Federal reserve credit outstanding in New England, together with a more than seasonal contraction in Federal reserve notes outstanding and substantially stationary deposit liabilities, resulted in a marked drop in total cash reserves. These reserves amounted on February 19 to $265,000,000, as compared with $304,000,000 on January 8. Consequently, changes in the Federal reserve ratio have been small in recent weeks, since declining reserves were counterbalanced by declining liabilities.



Rates on prime commercial paper continued to ease throughout January and the first three weeks of February. The improvement which was inaugurated early in September in the bond price index has also prevailed during January.



The reduction in borrowings from the Federal Reserve Bank of Boston, occasioned by the January quiescence, is also reflected in the drop in the ratio of loans to deposits.

NEW ENGLAND INDUSTRIAL CONDITIONS

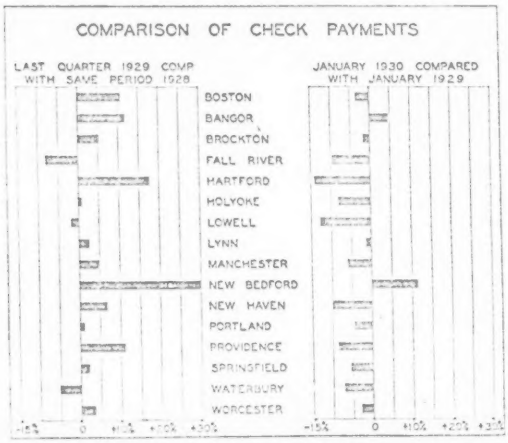
Electric Power:—Industrial activity in New England during January registered a slightly more than seasonal increase. Reports from power companies serving the principal industrial centers indicate that the volume of electric power delivered to manufacturing establishments was greater than that consumed in December by approximately 3.5 per cent, whereas the usual increase is nearer two per cent. This moderate rise in the productive output of New England industry, as indicated by the increase in electric power generated, is substantiated by the somewhat larger than seasonal increase in several statistical series pertaining to some of the principal industries. Increases were recorded in the seasonally adjusted figures of several series, such as boot and shoe production, cotton and wool consumption, and fine cotton goods production. The index of industrial activity in New England during January, as compiled by the Electrical World, which is based on the amount of electric power consumed by industrial establishments, a little more than fully regained the decline registered in December. The index adjusted for seasonal variations was 113.3 for November, 102.3 for December, and 114.8 for January.

Carloadings:—With the exception of the first week of January, when the volume of total carloadings was above the corresponding week of 1928, total carloadings for the entire country during the first six weeks of 1930 have been consistently below the volume which obtained in the previous four years. Merchandise and miscellaneous carloadings, while in a reduced volume, have also reflected a hesitancy to follow the weekly increase which usually continues uninterrupted, except for the holiday week including February 22, through to the close of March. Merchandise and miscellaneous carloadings increased in the first two weeks of January, then fell off during the weeks ending January 18 and 25, respectively, and in the subsequent two weeks again increased, thus recovering to some extent the seasonal volume and upward movement.

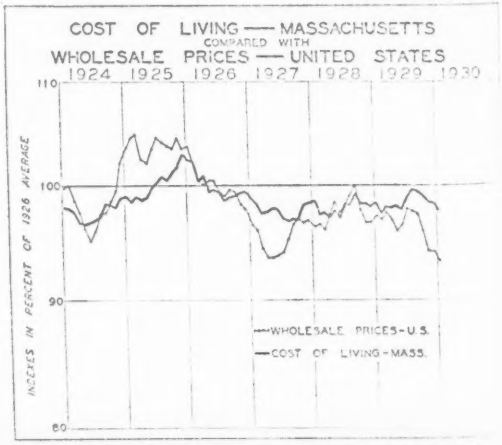
Total carloadings in New England, while increasing in the usual manner during January, were in the lowest volume for the month recorded in the past seven years. The volume of total carloadings in the first six weeks of the present year was 6.4 per cent below the corresponding weeks of 1929. Merchandise and miscellaneous carloadings were likewise the smallest for any January since 1923. The seasonally adjusted figure for merchandise and miscellaneous carloadings represented an increase over November and December, 1929, but was approximately seven per cent below January, 1929.

Employment:—Employment demand in Massachusetts and Connecticut during January was at the lowest level in recent months. In Massachusetts the call for workers at the public employment offices (Boston, Springfield, and Worcester) was the lowest since January, 1928. After allowances for the number of working days and seasonal variations, the decline from December was approximately 10 per cent. Employment demand in four Connecticut cities (Hartford, New Haven, Bridgeport, and Waterbury) was the lowest in the past 11 months. The adjusted figures, while lower than in December, 1929, were above those of November last year.

Reports issued in the middle of February show a decline in the number of workers called for in the first two weeks of the month at the Pearl Street Public Employment Office in Boston and a five per cent increase over the first two weeks of



The noticeable reduction in the volume of check payments in January, 1930, compared with the corresponding month of last year, in some degree reflects the lower rate of business activity prevailing in the principal New England cities.



The rapidly declining wholesale commodity prices, with their lagging effect on retail prices, are the principal factor in the downward, but relatively slower, movement of the cost of living index.

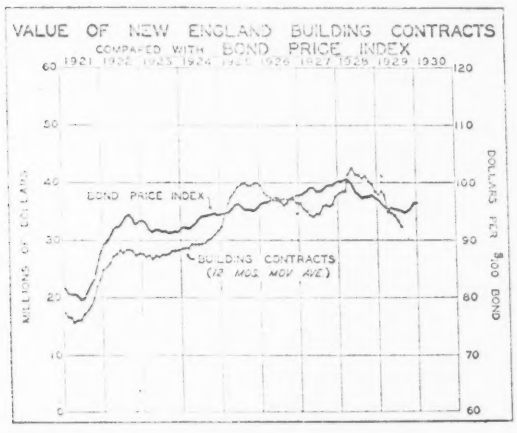
Source of data—Special Commission on the Necessaries of Life, Massachusetts, and Bureau of Labor Statistics.

January in the demand for workers at Worcester. At the Boston office there has been some improvement in the demand for metal tradesmen, while at Worcester there is still an excess of skilled workers.

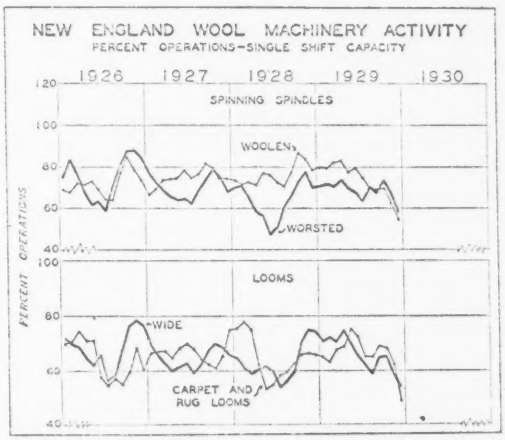
Employment in New England during January decreased in most lines of industry. The report issued by the Massachusetts Department of Labor and Industries shows a decrease of 0.8 per cent in the number employed, a decrease of 1.1 per cent in aggregate weekly earnings, and a decrease of 0.3 per cent in average earnings. Only seven industries reported increases in the number employed, with the principal rise occurring in the boot and shoe industry. Out of a total of 213,319 reported as employed in 1,106 establishments representing 38 industries, 73.6 per cent were working on full-time schedules. In 18 cities more than 50 per cent were reported as being on full-time. More than 95 per cent were so reported in Fall River and Lawrence. Employment in Connecticut was reported as generally lower, with curtailed schedules in evidence among the metal-working establishments of New Haven, Bridgeport, Hartford, and Waterbury. The decrease in the metal trades, however, is principally of a seasonal nature, in contrast to the conditions evident in some other lines of industry. The increase of 10.3 per cent in the employment figures for Rhode Island is explained in part as being due to the fact that one large rubber goods manufacturer and several cotton textile and jewelry plants, which had been shut down for a period of two weeks or more at the end of December, resumed operations during January. The principal decrease in employment occurred in the metal trades, which reported a decline of six per cent during January. Increases over December were noted in rubber manufactures, jewelry trades, and textiles, with the exception of woolens. Employment in Providence during January was 3.9 per cent above that of December, 1929.

Building:—The total value of building and engineering contracts awarded in January was $323,975,000, an increase of two per cent over the preceding month. The significance of this relatively small rise of $7,600,000 over the December figure is that it occurred in a month which is normally lower than that which precedes it, and furthermore, it is the first perceptible gain in the total value of contracts since the unexpectedly large July record. Since the decline in the value of new industrial contracts more than negatived the rise in commercial contracts, the high volume of public works and utilities contracts was responsible for the January gain. Residential contracts were at the lowest level in recent years. The first quarter of the year is usually not particularly active, as far as residential construction is concerned.

The increase in the value of total contracts awarded in New England during January was 12 per cent, as compared with December. The January total of $17,860,000 was the lowest January since 1927. Residential building, however, in contrast to the report for the 37 eastern states, was the most active, with a total of $5,846,700. In square feet, new residential contracts during January were the lowest since February, 1923. Commercial and industrial building, from a volume point of view, showed some improvement over December. Of the principal industrial cities of New England, Boston was the only one to register an increase over December and January, 1929, in the value of building permits issued. The following eight cities reported increases in permits issued in January, 1930, com-


VALUE OF NEW ENGLAND BUILDING CONTRACTS
COMPARED WITH BOND PRICE INDEX
1921 1922 1923 1924 1925 1926 1927 1928 1929 1930
BOND PRICE INDEX
BUILDING CONTRACTS (12 MOS. MOV. AVE.)
MILLIONS OF DOLLARS
DOLLARS PER $100 BOND

Although bond prices continue to reflect some improvement in the long-term money market, building contracts have not as yet made any definite upward turn, the slight recovery in January being insufficient to influence the 12-months' moving average.
Source of data—Standard Statistics Co., Inc., and F. W. Dodge Corporation.

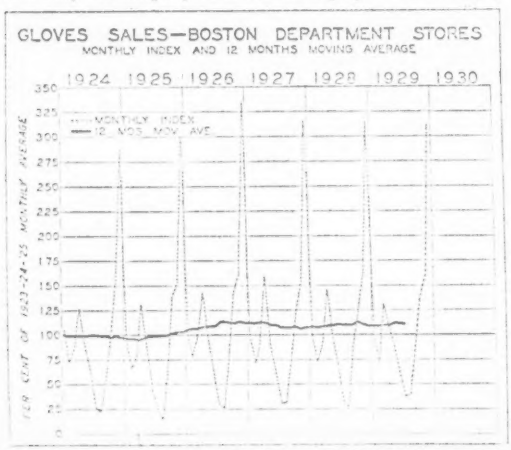


During the closing months of 1929 wool machinery, both woolen and worsted spinning spindles and carpet and rug looms, dropped to the lowest rate of operations in evidence since the second quarter of 1928.
Source of data—U. S. Department of Commerce.

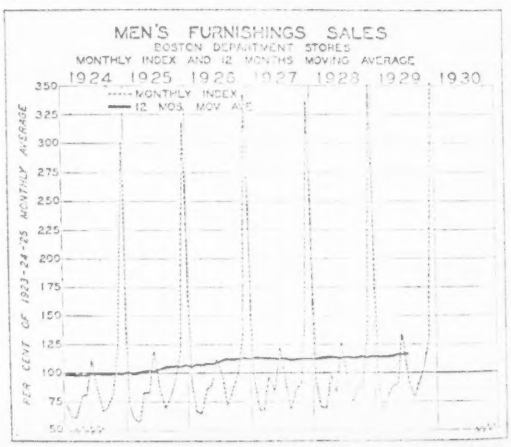
pared with December, 1929: Brockton, Cambridge; Holyoke, Lowell, Lynn, New Bedford, and Springfield, Massachusetts, and Portland, Maine.

Boots and Shoes:—Boot and shoe production in January usually registers a substantial increase over the December output. During January this year shoe production in the United States and New England was larger than the normal increase. The estimated total output, however, for both the United States and New England, was considerably below the volume of January, 1929. Production of shoes for the country as a whole during January is estimated at slightly below 26,250,000 pairs, which is approximately 16.8 per cent above the previous month and 4.8 per cent below the corresponding month a year ago. While the January estimate for New England production represents an increase of 24.6 per cent over December, the output is approximately 13.6 per cent below January, 1929. The curtailment in production schedules during November and December in New England shoe factories was more severe than that which occurred for the entire country, a fact which was principally attributable to the greater share of the total output produced by the New England establishments in the earlier months of 1929. After seasonal adjustment, the increase in New England shoe production during January was 2.5 per cent. Shoe shipments from Brockton during January averaged 7,716 cases per week, or about 8.4 per cent greater than expected, as the January average is the lowest for the entire year. Shipments from Haverhill were the largest in the past three months, but were only slightly more than 50 per cent of the volume attained in January, 1929. The most important changes, not only in employment but in payroll earnings, according to the Massachusetts Department of Labor and Industries, occurred in Brockton and Haverhill. In Brockton 43 establishments reported an increase of 35.6 per cent in numbers employed and of 43.4 per cent in aggregate payroll. In Haverhill 39 establishments reported an increase in employment of 20.2 per cent and a gain of 43.2 per cent in aggregate payrolls.

Textiles:—Textile activity in New England during January rose about 10 per cent from the December level, which was the lowest that had been experienced since June, 1924. Of the four component series in the textile index, silk machinery activity was the only one to show a declining tendency. The other items, cotton and wool consumption and fine cotton goods production, increased sufficiently so that, even after seasonal allowance, the adjusted figure represented appreciable gains over the figure for December. Wool consumption in January was 21,380,000 pounds, grease equivalent, compared with 18,823,000 pounds in December and 27,485,000 in January, 1929. Wool machinery in December was operating at about 75 per cent of the 1919 capacity. Wool stocks held by manufacturers and dealers at the end of the year were reduced 68,000,000 pounds, grease, from the total of 370,000,000 pounds reported at the end of the third quarter of 1929. Cotton consumption during January increased 23,000 bales to a total of 106,060, compared with 137,004 for the corresponding month last year. The decline in cotton receipts at five New England cities during January, although seasonal, was larger than had been experienced in the past three years. Stocks of New England mills in January showed the fourth consecutive monthly increase. There are now 362,096 bales at mills, compared with 382,572 for January, 1929.


GLOVES SALES—BOSTON DEPARTMENT STORES
MONTHLY INDEX AND 12 MONTHS MOVING AVERAGE
1924 1925 1926 1927 1928 1929 1930
MONTHLY INDEX
12 MOS. MOV. AVE.
PER CENT OF 1923-24-25 MONTHLY AVERAGE

Sales of gloves in December, 1927, 1928, and 1929, have been approximately the same. The tendency for glove sales to increase from year to year, as indicated by the 12-months' moving average, has not been particularly evident since the close of 1926.


MEN'S FURNISHINGS SALES
BOSTON DEPARTMENT STORES
MONTHLY INDEX AND 12 MONTHS MOVING AVERAGE
1924 1925 1926 1927 1928 1929 1930
MONTHLY INDEX
12 MOS. MOV. AVE.
PER CENT OF 1923-24-25 MONTHLY AVERAGE

With the exception of 1927, the December sales of men's furnishings have been increasingly larger in successive years, but the rate of increase in the past year appears to have been slower.

RETAIL AND WHOLESALE TRADE

Sales of the reporting group of New England department stores during January were six per cent higher than in the same month in 1929, and five per cent above those of January, 1928. Massachusetts stores reported a gain of seven per cent over January sales last year, and increases of six per cent and three per cent were recorded by stores in Connecticut and Maine; little change occurred in the Rhode Island stores, while decreases of 11 and 10 per cent, respectively, took place in the reporting stores of New Hampshire and Vermont. The volume of sales of the group of representative Boston department stores during January was approximately nine per cent larger than in the corresponding month of the two preceding years, and two per cent greater than in January, 1927.

The rate of collection of regular accounts by all reporting New England department stores and wholesale shoe concerns was slower than during January, 1929, while a slight improvement in collections was shown by the group of New England wholesale grocers.

The most marked gains in sales during January in the departments listed below were recorded in juniors' and girls' ready-to-wear and corsets and brassieres. Sales of silk and velvet dress goods and cotton dress goods were higher than in January last year, while sales of woolen dress goods were approximately 22 per cent lower than in the same month a year ago.

SALES CONDITIONS

1929 = 100

	Month of January			
	1927	1928	1929	1930
Connecticut Department Stores	99	100	100	106
Maine Department Stores	92	97	100	103
Massachusetts Department Stores	108	102	100	107
New Hampshire Department Stores	92	92	100	89
Rhode Island Department Stores	106	104	100	100
Vermont Department Stores	99	99	100	90
Boston Department Stores	107	100	100	109
New Haven Department Stores	99	99	100	104
Providence Department Stores	105	103	100	100
New England Department Stores	107	101	100	106
New England Wholesale Shoe Concerns	99	97	100	81
New England Wholesale Grocery Concerns	102	95	100	94

CREDIT CONDITIONS

Percentage of Regular Charge Accounts Outstanding at the First of January Collected during January

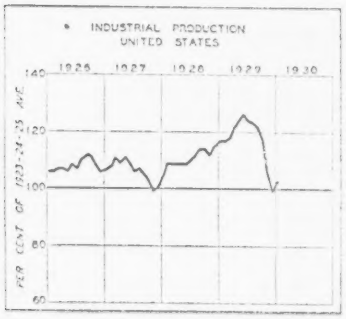
	1927	1928	1929	1930
Boston Department Stores	53.8%	54.1%	54.1%	51.7%
New Haven Department Stores	52.1	52.7	55.2	52.8
Providence Department Stores	56.8	58.4	56.3	55.6
New England Department Stores	53.7	54.6	54.2	52.4
New England Wholesale Shoe Concerns	41.4	36.3	36.6	33.2
New England Wholesale Grocery Concerns	68.5	69.7	72.6	73.3

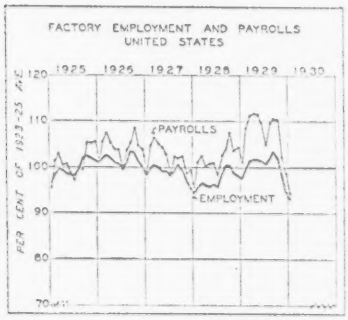
SALES BY DEPARTMENTS—NEW ENGLAND DEPARTMENT STORES

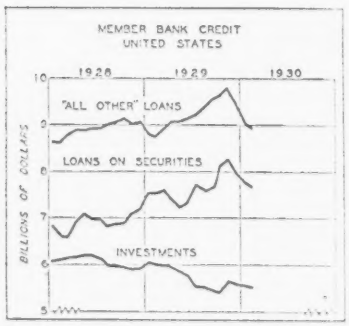
1929 = 100

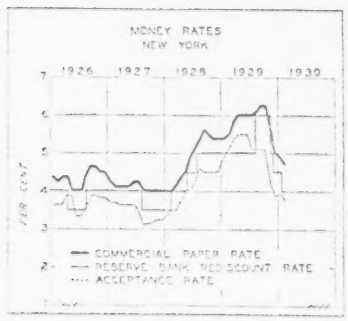
	Month of January			
	1927	1928	1929	1930
Silk and Velvet Dress Goods	148	127	100	104
Woolen Dress Goods	152	130	100	78
Cotton Dress Goods	133	114	100	103
Silverware and Jewelry	112	112	100	95
Men's Clothing	104	102	100	102
Men's Furnishings	105	97	100	99
Boys' Wear	107	102	100	101
Women's Ready-to-Wear	108	106	100	92
Misses' Ready-to-Wear	93	99	100	100
Juniors' and Girls' Ready-to-Wear	80	83	100	107
Millinery	116	109	100	93
Women's and Children's Gloves	103	97	100	92
Corsets and Brassieres	105	103	100	109
Women's and Children's Hosiery	87	92	100	100
Knit Underwear, including Glove Silk	109	101	100	90
Silk and Muslin Underwear	118	103	100	90
Women's and Children's Shoes	98	100	100	90
Furniture	113	110	100	98

SUMMARY OF BUSINESS CONDITIONS IN THE UNITED STATES









Industrial production increased in January from the extreme low level of December. Factory employment, which was in relatively small volume in the middle of December was further reduced by the middle of January, but preliminary reports indicate a slight increase in the three weeks following. There was a further liquidation of bank credit and a decline in money rates. Commodity prices continued to move downward.

Production:—Industrial production showed an increase of about four per cent in January, according to the Board's index, which makes allowance for the usual seasonal variations. This increase reflected principally a larger output of automobiles, steel, cotton textiles, and shoes. Output of copper, cement, lumber, anthracite coal, and flour declined, and the increase in bituminous coal output was smaller than is usual for the season. In the first two weeks of February steel plants increased their rate of operation further, but continued to be less active than in the corresponding period of last year.

Building contracts awarded showed little change in January, a substantial increase in public works and utilities being in large part offset by a decrease in residential construction. In the first half of February the daily average of contracts was lower than in January.

Employment and Payrolls:—The number of wage earners employed at factories declined further between the middle of December and the middle of January, and wage payments showed a larger reduction. In automobile and steel plants there was an increase in employment in the month ending January 15, and in recent weeks further increases have been reported for these industries. There were decreases in January in the number of wage earners employed in the machinery, car building and repairing, lumber, and cement industries. During the three-week period ending February 3 the Bureau of Labor Statistics, on the basis of preliminary returns, reported a slight increase in factory employment.

Distribution:—Shipments of freight were in about the same volume in January as in December. Average daily loadings of miscellaneous freight and merchandise in less than carload lots decreased slightly during the month, but by a smaller amount than is usual at this season. During the first two weeks in February there was some increase in shipments, largely seasonal in nature. Department store sales in January, according to preliminary figures received by the Federal reserve system, were about two per cent lower than in the corresponding month of last year, this difference being about the same as was shown the month before.

Wholesale Prices:—Wholesale prices of commodities in January continued to move downward. In general, fluctuations were small until the latter part of the month, when decreases occurred in the prices of grains, cotton, wool, iron and steel, and petroleum. The prices of meats and livestock fluctuated over a wide range, and averaged higher in January than in December. In the first half of February the prices of hogs, pork, and cattle increased, while the prices of wheat, cotton, pig iron, petroleum, and textiles continued to decline.

Bank Credit:—Liquidation of member bank credit in January and the early part of February was in substantially larger volume than in the corresponding period of 1929. Declines were reported in loans on securities and in all other loans, which continued to decrease in February, contrary to the usual seasonal trend. There was little change in the banks' holdings of investments. The volume of reserve bank credit outstanding declined by about $140,000,000 between the middle of January and the middle of February. This decline was due in part to the reduction in member bank reserve balances which accompanied the decline in the banks' loans and investments, in part to the continued return flow of currency from circulation, and in part to gold imports, largely from Brazil and Japan.

Money rates in the open market eased further. Rates on commercial paper declined to a range of 4½–4¾ per cent, and rates on 90-90 day bankers' acceptances declined from four to 3⅞ and later to 3¾ per cent. Discount rates at the Federal Reserve Bank of New York, Chicago, Boston, and Kansas City were reduced from 4½ to four per cent, and rates at Philadelphia, Cleveland, Richmond, St. Louis, Minneapolis, and Dallas from five to 4½ per cent.